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Name:

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James Porter  
James Porter

Clifford Chance Rogers &amp; Wells LLP

Docket No. 3499-132

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re Application of: David Lawrence

Filed: July 31, 2001

Group Art Unit: 2164

Serial No: 09/919,413

Examiner: n/a

For: **ONLINE TRANSACTION RISK MANAGEMENT****PETITION TO MAKE SPECIAL UNDER 37 C.F.R. § 1.102**

U.S. Patent and Trademark Office  
P.O. Box 2327  
Arlington, VA 22202

Sir:

Pursuant to 37 C.F.R. § 1.102, and in accordance with section 708.02 XI the Manual of Patent Examining Procedure (MPEP), entitled Inventions for Countering Terrorism, applicants hereby respectfully request a Petition to Make Special for the above-identified patent application.

The above invention contributes to countering terrorism by allowing financial institutions, government entities, and other organizations to evaluate the legal, regulatory, financial, and reputational risks associated with an online transaction which can be critical to anti-terrorism in a timely and uniform fashion. Government and law enforcement agencies increasingly rely on "know your customer" diligence on the part of financial institutions in an effort to discover and interrupt terrorist activities. Traditional methods of evaluating risk associated with online transactions only quantify financial risk. As a result, legal, regulatory, and reputational risks go unnoticed. What is needed is a method and system to identify, assess, and manage the levels of legal, regulatory, financial, and reputational risks associated with an online transaction. High risk transactions that are blocked as a result of the present invention, or that are more closely monitored as a result of the present invention, will allow government and law enforcement agencies to better counter terrorist strategies and also enable financial institutions to manage risk associated with suspect transactions.

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Petitioner presents all claims directed to a single invention, or if the Patent and Trademark Office (Office) determines that all of the claims are not obviously directed to a single invention, will make an election without traverse as a prerequisite to the grant of special status.

The following documents are enclosed in support of this Petition:

1. A copy of the above-identified application including all claims directed to a single invention.
2. A statement including a pre-examination search listing the field of search by class and subclass.
3. A copy of each reference deemed related to the subject matter encompassed by the claims of the above-identified application.
4. A detailed discussion of the references pointing out how the claimed subject matter is patentable over the references.

The Commissioner is hereby authorized to charge the required fee of \$130.00 for a Petition to Make Special as set forth in 37 C.F.R. § 1.17(i), or any additional fees, or to credit any overpayments in connection with this communication, to Deposit Account No. 50-0521. A duplicate copy of this Petition is enclosed herewith.

Accordingly, it is respectfully requested that the U.S. Patent and Trademark Office grant this Petition to Make Special for the above-identified application.

Date:

12/06/01

Respectfully submitted,

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## **STATEMENT OF FIELD OF SEARCH**

A pre-examination search for the above-identified application was conducted in Class 235/379; 235/380; 340/825.33, 705/36; 705/35.

## **DISCUSSION OF REFERENCES**

### **U.S. Patent 5,177,342 ('342)**

The '342 patent to Adams is entitled "Transaction Approval System," and issued on January 5, 1993. The '342 patent describes a transaction approval system for systems employing transaction cards, such as those used to make a purchase. It includes the ability to dynamically adjust such elements as the transaction limit stored in the terminal to vary the level of risk at the terminal to be closer to the desired level of risk. The terminal will also generate and store a list of account numbers which might be invalid and should provide an on-line request for authorization.

Although the '342 patent relates generally to containing financial risk through the use of an electronic system, it does not generate nor assign to a transaction, a risk quotient reflecting the amounts of legal, regulatory, financial, and reputational risk in the transaction.

### **U.S. Patent 6,078,904 ('904)**

The '904 patent to Rebane is entitled "Risk Direct Asset Allocation and Risk Resolved Cap for Optimally Allocating Investment Assets in an Investment Portfolio," and issued on June 20, 2000. The '904 patent describes a computer implemented system for allocating an investor's funds wherein said system determines the risk tolerance function of the investor. The risk addressed in the '904 patent relates generally to financial risk associated with an investment and whether the financial risk is tolerable to the investor. The '904 patent does not address the broader legal, regulatory, and reputational risks present for all participants in a transaction.

### **U.S. Patent 6,085,175 ('175)**

The '175 patent to Gugel, et al. is entitled "System and Method for Determining Value at Risk of a Financial Portfolio," and issued on July 4, 2000. The '175 patent describes a system and method for analyzing financial risk data; in particular estimating value-at-risk (VAR) of a financial portfolio which includes an analysis of a distribution of sorted financial data samples to determine an accurate range of upper and lower limits of an expected value of VAR. Although the '175 patent determines a risk quotient indicative of financial risk for a single portfolio; it does not generate a rating reflective of the legal, regulatory, and reputational risks present for all participants in a transaction.

### **U.S. Patent 6,119,103 ('103)**

The '103 patent to Basch, et al., entitled "Financial Risk Prediction Systems and Methods Therefor," and issued on September 12, 2000. The '103 patent describes a computer-implemented method for predicting financial risk, which includes receiving data pertaining to transactions performed on more than one financial account held by a given account holder and where each of the multiple accounts is issued by a different account issuer. The described method relates generally to scoring risk related to financial transactions by scoring of a first transaction data and a second transaction data based on a preexisting model to form a score for the account holder which is provided by the system. Although it evaluates financial risk based on the transactions of a single account holder; the '103 patent does not determine the legal, regulatory, and reputational risks associated with all participants in a transaction.

#### WO 01/55885 A2 ('885)

International publication date, August 2, 2001, entitled "Online sales Risk Management System", issued to Greener, et al., describes a computer-implemented method for providing risk management for online transactions. An exchange price for a foreign currency relative to a base currency is entered into a host computer which also receives data descriptive of one or more transactions involving the foreign currency that occurred within a predetermined time period. Currency is exchanged according to the entered price and the transaction amounts contained in the data. A risk exposure for the predetermined time period can be calculated. Transactions can include any quantifiable transaction such as an online sales transaction consummated over a computerized communications network. The risk exposure in the '885 patent relates to a financial risk associated with currency exchange, it does not determine the levels of legal, regulatory, or reputational risk associated with a transaction.

#### WO 0075836 ('836)

International publication date, December 14, 2000, entitled "Portfolio Accounting and Risk Management System", issued to Coppola, describes a method and system for managing investment portfolio risk on a computer system. Data is stored on a computer-readable medium, along with an equity value associated with a user's portfolio. A point risk value is determined for a potential investment. Risk scenarios are displayed showing proposed numbers of shares or contracts associated with the point risk value for a plurality of selected size risk values. Other risk characteristics may also be determined and displayed. The system and method may be embodied in a client/server system or in a stand-alone computer system. The risk addressed by the '836 patent is financial risk associated with potential investment. The '836 patent evaluates only financial risk for a single investment portfolio; it does not include the legal, regulatory, and reputational risks associated with a transaction.

#### Non-Patent Literature References:

1. A website [www.paynetonline.com](http://www.paynetonline.com) includes references that describe an online, automated system for members to obtain reports of pooled financial information for their use in assessing risks associated with certain financial transactions. The service offered allows members to share payment history with other members. One benefit of the shared information may be the ability to better determine a credit risk associated with a potential lessor. The website does not provide a system for assessing legal, regulatory, or reputational risks associated with a transaction.
2. Banasiak, Michael; "Don't Be Out-Scored by Your Competition", Credit and Financial Management Review, 2<sup>nd</sup> Quarter 2000. This reference describes the benefits to be derived from an automated credit scoring model in conjunction with a validation process implemented with a knowledge-based decision making system. Although the article relates generally to automated risk scoring, it does not disclose automated analysis and risk scoring associated with legal, regulatory and reputational risks related to an online transaction.

#### SUMMARY

None of the above references provides for or teaches a computer-implemented method for identifying, assessing, and managing the legal, regulatory, financial, and reputational risks associated with an online transaction. In particular, none of the above references teaches generating a risk quotient based on a weighted algorithm applied to a set of legal, regulatory, financial, and reputational risk factors. Similarly, it is not known to produce an aggregate risk rating for a group of transactions or group of participants.

Other aspects of the present invention that are novel include the ability to continually monitor and adjust the risk quotient associated with a transaction after consummation of the transaction. Additionally,

it is unique to suggest to an online market participant actions commensurate with a risk quotient or risk aggregate that might help that participant properly manage risk associated with a transaction.

Other embodiments of the present invention include a system and computer program for implementing the above methods.